

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re)	Chapter 11
)	Case No. 01-01139 (JKF)
W.R. Grace & Co., et al.)	
)	Jointly Administered
Debtors.)	

Related to Docket No. 4299

**OBJECTION OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS TO THE APPLICATION OF THE DEBTORS
FOR ENTRY OF AN ORDER AUTHORIZING, BUT NOT REQUIRING,
THE EMPLOYMENT AND RETENTION OF STATE STREET BANK AND
TRUST COMPANY TO ACT AS INVESTMENT MANAGER AND FIDUCIARY
OF THE GRACE STOCK WITHIN THE GRACE SAVINGS & INVESTMENT PLAN**

TO: THE HONORABLE JUDITH K. FITZGERALD
UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the "Creditors' Committee"), by its undersigned counsel, submits this objection to the application filed by the Debtors (the "Application") seeking entry of an order authorizing, but not requiring, the Debtors to retain State Street Bank and Trust Company ("State Street") as investment manager and fiduciary of the shares of W.R. Grace & Co. common stock ("Grace Stock") held by the trust, which funds the W.R. Grace Savings & Investment Plan for Employees (the "Plan"), and respectfully states as follows:

Preliminary Statement

The Creditors' Committee objects to the Debtors' Application because it seeks to burden the Debtors' estates and its creditors with the fees and expenses of State Street acting as and on behalf of a certain block of equity holders. Rather, State Street's fees and expenses should be borne by the Plan as a whole, or alternatively, from the stock accounts in the Plan. Denial of the

Debtors' Application would not preclude the Debtors from retaining State Street for the purposes proposed, but would ensure that the proper party pays the costs.

**The Debtors' Estates Should Not Bear the Fees
And Expenses of A Particular Block of Equity Holders**

1. The Debtors propose to retain State Street to act as investment manager and fiduciary of the Grace Stock held by the Plan. Upon information and belief, the Plan is a 401(k) plan with an employer matching contribution, which provides for participant direction for the investment of employee contributions from among several investment choices. Until the summer of 2003, one of the investment options that Plan participants had was to invest in Grace Stock. We further understand that prior to 2001, the Company matching contribution under the Plan was always made in the form of Grace Stock. The pre-2001 employer matching contributions in the form of Grace Stock, as well as voluntary employee investments in Grace Stock made prior to the mid-2003 Plan amendment, continue to be held as shares of Grace Stock in accordance with the terms of the Plan. We are informed that no new money may be invested in the form of Grace Stock and there can be no transfers of money from other investment options under the Plan into Grace Stock. We are also informed that there are currently approximately 10.0 million shares of Grace Stock held under the Plan, which represents approximately 16% of the aggregate amount of Grace Stock outstanding.

2. State Street's investment, managerial and fiduciary services are described generally as consisting of making determinations whether any or all of the Grace Stock in the Plan should be retained by the trust or sold, and then directing the Trust to act accordingly. When shares of Grace Stock are sold, that stock will be withdrawn pro-rata from the stock accounts of Plan participants. State Street's services could include acting on behalf of the Grace Stock in plan reorganization discussions, if it believes that in the exercise of its fiduciary duties

such action is warranted. Indeed, in light of the securities law restrictions on how much of the Grace Stock could be sold by State Street in the market, it might very well be that State Street, if retained, would be involved in reorganization discussions on behalf of the Plan as a significant, if not the single largest, holder of an equity interest. State Street's real purpose here is to act on behalf of and protect the equity value of the entirety of the 16% of the outstanding Grace Stock held in the Trust.

3. The Creditors' Committee respectfully submits that it is not proper to have the Debtors' estates bear the fees and expenses of what is in essence a particular equity holder representing a large percentage of the outstanding Grace Stock. In addition to the annual fee of \$530,000 per year, the proposed retention obligates the Debtors to reimburse State Street for the costs of its legal and financial advisors. During the first year alone, the proposed engagement contemplates that those professional costs to be reimbursed might reach another approximately \$450,000, bringing the total first year cost to close to \$1.0 million.

4. Further, the Court's denying the relief sought by the Debtors, subject to modifying the retention to provide for State Street to be paid from another more appropriate source, will not prejudice the Debtors. Upon information and belief, the Plan contains millions of dollars of assets and generates income, which can and should be used to compensate State Street.

5. The Creditors' Committee reserves its rights to amend or supplement this objection in any manner, including to assert additional grounds of objection to the Application.

WHEREFORE, the Creditors' Committee respectfully requests that this Court deny the Application, and grant such other and further relief as may be just and proper.

Dated: New York, New York
September 9, 2003

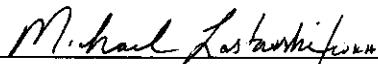
Respectfully Submitted:

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